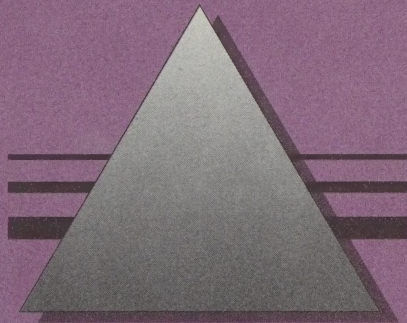


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RENEWING ONTARIO



A PLAN FOR THE ECONOMY

Treasurer of Ontario



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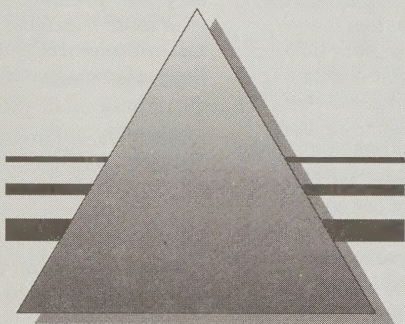
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RENEWING ONTARIO



A PLAN FOR THE ECONOMY

Floyd Laughren
Treasurer of Ontario

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INTRODUCTION

The last few years in Ontario have been challenging times. The recession, which started in late 1989, lasted longer than anyone forecasted and had more impact than expected.

As we look back, we can see there were two things happening at the same time which made this recession difficult. First of all, Ontario was experiencing a cyclical recession, which is a downturn in the business cycle that occurs from time to time. At the same time, our economy was undergoing massive structural change as Ontario tried to adjust to larger economic forces, such as freer trade. Although the structure of our economy (i.e. what we produce and how we produce it) is always being reshaped, the rate of change, and therefore adjustment, started happening faster in late 1989 as we increased our involvement in the global economy. (I'll have more to say on the structural changes to the economy in the next section.)

Slowly, there are signs the economy is beginning to pick up again. Granted the recovery is weak and bumpy and for this reason, it sometimes feels as if Ontario is still in a recession, not in a recovery.

However, the signs of a recovery are all around us.

Retail sales started improving over the summer. Housing starts went up and new home sales had their best summer in four years. Exports began to rise. And manufacturing started to recover led by increased production of cars and trucks.

The forecast for the next few years is promising — the economy is expected to continue to grow. In fact, some international forecasts say the Canadian economy will grow faster than other industrialized countries, and Ontario is expected to lead the way.

Although these forecasts predict an improving economy, they also show our challenges are not over. The growth the Provincial Government expects over the next four years will be quite moderate compared to past recoveries.

That means Ontario's revenues will not increase by much. This will result in continued strains on the public purse at a time when people need government services, such as education, training, and social assistance, the most.

For people looking for work — finding a job still won't be easy for the next while. Unemployment is expected to come down rather slowly. Although jobs will be creat-

ed, there will be a lot of competition for those positions: from those currently unemployed; from new entrants to the workforce; and from those who are no longer counted in the unemployment statistics because they have given up looking for work at this time.

As the Minister of Economics for this province, I believe Ontario does not have to be resigned to these forecasts — these forecasts are not targets, neither are the numbers cast in stone.

Instead, I believe these forecasts present the people of Ontario with an opportunity: an opportunity to change and improve the way we work; and an opportunity to develop a plan for renewing our economy.

This booklet is meant to give you an overview of the work the Ontario Government is doing to support the rebuilding of our economy. I believe Ontarians want to hear — in plain language — about the challenges that face them and about the Government's vision for rebuilding the economy. I also believe Ontarians want to understand what their role is and what the Government's role is in making this province a world leader again.

My hope is that this booklet will provide the reader with a sense of renewed hope, and that it will encourage Ontarians to work together to address the challenges that lie ahead.



OBSTACLES TO RECOVERY

Many people wonder why Ontario's economic recovery is only limping along. They ask why the province has not experienced the kind of strong recovery it did after the last recession in 1982.

The answer is Ontario is not an island unto itself, but part of a larger world economy. Factors outside our immediate control are slowing down the process of economic recovery

WORLD-WIDE ECONOMIC SLOWDOWN

First of all, there has been a world-wide slowdown in the economy. Even countries considered economic powerhouses are now struggling with weakened economies.

For example, Japan is experiencing its worst economic slowdown since World War II. And even companies that have enjoyed many years of profits have seen their balance sheets deteriorate lately.

Ontario's economy relies heavily on exports to other countries. We export over 30 per cent of everything we make. Most of our exports end up in the United States, which has experienced weak growth too. The effect on our recovery is obvious. If other countries (especially those to which we export) are experiencing weakened economies and consumers there aren't buying, that has

an impact on us in Ontario — on our businesses, our jobs, and on government revenue and spending.

ECONOMIC RESTRUCTURING

Another challenge to recovery is structural change, or what is called "economic restructuring." Restructuring involves changes to how we work and what we produce. It is often caused by factors that force us to adjust or adapt in order to survive. Technology, free trade, global markets, and increased competition from firms in other industrialized countries are all factors which are forcing us to change the way we work.

In the long run, economic restructuring can be positive — it can help us work better and work in a more planned and focused way. It also can lead to more profits, higher wages, better jobs and an improved quality of life for our citizens. At the same time, restructuring — especially early in the process — can be painful for the people who are affected. Plant closings and relocations, bankruptcies and firm downsizing — which represent some of the quickest ways business can react to changing circumstances — have been common in this period of restructuring.

Unfortunately, the process of restructuring is not over. The rapid pace of change means Ontario must constantly strive to work better and work smarter, especially if we want to be leaders in the process of change, rather than followers. At the same time, citizens must encourage all levels of government to take an active role to make the adjustment process smoother and less painful for our businesses and workers.

INTEREST RATES AND THE CANADIAN DOLLAR

Other factors that deepened and prolonged Ontario's recession were high interest rates and the high price of the Canadian dollar compared to the U.S. dollar.

Interest rates have been dropping over the last year. In fact, during the summer of 1992, rates were at their lowest level since the 1970s. Leading up to and during the recession, however, interest rates were kept relatively high, especially in "real" terms. (The real interest rate is the rate of interest minus the rate of inflation.) This action helped to push down inflation, but it also had the effect of making borrowing more expensive. And that, in turn, affected the sale of homes and automobiles — two sectors that are impor-

tant to the health of Ontario's economy.

While interest rates hindered Ontario's recovery, so did the price of the Canadian dollar. The dollar has been dropping over the last 12 months, but compared to the levels of the mid-1980s, the Canadian dollar was kept relatively high during the recession.

How do real interest rates and the Canadian dollar affect our economy? In the manufacturing sector, for example, a high Canadian dollar means Ontario's exported goods cost more when we send them abroad and so our companies lose some of their price competitiveness. High real interest rates mean companies have to pay more when buying machinery and equipment or when building new plants. And investment in these areas, called capital investment, is critical to a firm's ability to adapt, be innovative and be productive.

The point I wish to make here is that Ontario's economic health depends on many factors — some of them outside the Province's control. Nevertheless, there are many things the Provincial Government can do to deal with these economic challenges. The Government can cushion the effects of restructuring and the reces-

sion, and we can lay the groundwork for a stronger economy in the days to come.



THE ROAD TO ECONOMIC RECOVERY

Before deciding what needs to happen to rebuild the economy, Ontarians must come to some understanding about the kind of province we want to live in. In other words, we have to set a goal before deciding how to get to that goal.

There seems to be a lot of agreement on the vision for this province. Most Ontarians want to be part of a unified country. We want to boast that we have a fair and tolerant society. We want to be proud of our progress on social issues such as poverty and people's rights.

In terms of the economy, Ontarians want good jobs that pay well. We want to compete based on the skill and flexibility of our workforce and because we produce high-quality products and services. We want to attract investment because our business costs are competitive. At the same time, we want to attract investment because of our strong public infrastructure, our quality of life, and our clean environment. We want to be known as an economy that is innovative and an economy where productivity is high. We want to compete with the very best in the world and not be relegated to competition with low-wage countries.

While the economic goals are clear, the action Ontario must take to get there has been hotly debated. On the one side are those that believe a government should focus on a narrow band of activity. Specifically, this school of thought believes a government's main role in the economy is to remove barriers to trade, reduce public sector spending and investment, and keep business regulation to a minimum.

This approach sounds appealing to many people — but the results of such policies have not lead to the improved productivity, wages or job growth expected. That's because this approach does not put a lot of emphasis on policies that help business and workers adjust to changing market forces. There tends to be little focus on policies that will help the economy prepare for future challenges, or on policies that will actively move the economy in the direction that is desired.

There is another school of thought. The Ontario Government, and in fact many economists and governments in other parts of the world, believe that to realize the kind of economic vision we share in Ontario, a **government** needs to take a **broadier approach** to the economy.

Governments must also develop policies that **actively** promote economic goals. In this approach, governments are active partners in change.

The Ontario government believes that its leadership is an important ingredient in helping the economy reach its full potential. There are plenty of examples which prove that a government can play an active and constructive role in making change happen. While there is no doubt that a government cannot and should not do everything, it nevertheless has some important levers that it has an obligation to use on behalf of its citizens. For example:

▲ a government can provide effective adjustment programs. Through adequate education and training, we can help ensure Ontarians have the skills they need to get a job. These policies will enable our workers to change jobs and careers as the needs of the economy change. And for our businesses, these policies will ensure they have access to a highly-skilled pool of workers who can quickly acquire new skills as needed;

▲ a government can help promote maximum use of the province's greatest natural resource — our people

— through policies that promote fairness and opportunity in the workplace;

▲ a government can help encourage cooperation among the various players in the economy or within a sector. These policies will help promote creative problem-solving, tackle common problems, use resources better, build understanding, and foster greater participation by workers in solutions;

▲ a government can ensure there exists a strong public infrastructure — transportation links, sewer systems, recreational areas, etc. This means both maintaining the existing infrastructure and making sure the infrastructure keeps up to the changing needs of the economy; and

▲ a government also can help ensure businesses have access to the kind of support they need (financial and otherwise) to adapt to the changing economy.

In each of these areas, a government can develop policies that actively encourage the changes and help foster the conditions necessary for the kind of economic renewal we want in Ontario.



A PROVINCIAL GOVERNMENT'S ROLE

There are many things national and provincial governments can do to help make change happen. However, factors such as interest rates and the price of the Canadian dollar are not within the control of a province, although they have a tremendous influence on our economy. For example, estimates done by the Ontario Government suggest that since 1989, about 65 per cent of the decline in Ontario's manufacturing jobs has been due to the high Canadian dollar.

Despite these limitations, there are important things a provincial government can do to help the economy adjust to change. And the Ontario Government is using the levers at its control to begin making our economic vision a reality.

This has meant changes in the way government works — both how it manages its own operations, and how it works with others.

We have become more focused and more strategic in our spending. We are helping to change the attitudes of groups that are normally adversaries. Increasingly, the government is working with labour, business and communities to develop solutions to the challenges that face Ontario.

Most of all, it has required the Ontario Government to think ahead. Too often governments are concerned with reaping immediate rewards and recognition. Time and time again governments in North America have failed to anticipate the changing needs of the economy. Few have prepared their economies for the challenges of tomorrow. With the magnitude of change we are experiencing today, this failure to look ahead has come back to haunt us.

The Ontario Government has focused much of its work on actions that we can start today but from which we will see the most benefit in the days to come. We do not want to repeat the failure of past governments by ignoring tomorrow. We have committed much time and resources to helping Ontario adjust to and prepare for the future. (I will discuss this point in more detail a little later on. > *page 11*)

At the same time, the government recognizes the difficulties that many people are experiencing right now as a result of this long recession. With an eye to the future, we must also take action that will benefit Ontario today.



ONTARIO GOVERNMENT'S ECONOMIC ACTION PLAN

SHORT TERM RESPONSE

+

LONG TERM RESPONSE

PROGRAMS WITH DUAL BENEFITS:
SUPPORT JOBS NOW WHILE
ADDRESSING LONG TERM NEEDS

90,000+ jobs supported
in 1992-93 Budget

Anti-recession program
in 1991-92

> see page 10 >

WORKPLACE &
WORKER POLICIES

Training &
Adjustment

Workplace
involvement

Fairness &
Opportunities

Supporting Workers
in New Roles

> see pg. 15-16 >

EFFECTIVE
INVESTMENT
POLICIES

Infrastructure Support
Cooperation

Investment Financing

Support for R&D and
Capital Investment

> see page 20 >

ADDRESSING THE NEEDS OF TODAY

Our first task upon coming to government was to try to dampen the effects of the recession. The recession, which started in late 1989, had already claimed thousands of jobs and many of these were permanent job losses. The new government felt Ontario needed an immediate action plan.

At the same time, we wanted to link job support programs to projects that would help the economy in the long-term. In this way, the money spent would provide the province with dual benefits.

Early in our term as government, we created the \$700 million **Anti-recession Program**. The program supported about 18,000 jobs and provided a much needed boost to the economy. The jobs were tied to important public infrastructure projects which helped the province to pave its roads, fix and build sewer systems, provide much needed upgrades to hospitals and schools and so on. In other words, the program supported jobs immediately but also invested in our future by maintaining the very backbone of our economy — our infrastructure.

In this current fiscal year (1992-93) we expect our budget will support over 90,000 jobs which otherwise would not have continued or been

created. In addition, we started a major summer employment program for Ontario's young people. **jobsOntarioYouth** created about 8,800 jobs for people between the ages of 15 and 24.

We are addressing current and future needs of our workforce through the newly created **jobsOntarioTraining**. Its purpose is to help social assistance recipients, and others who have been unemployed for at least six months, get back into the workforce while receiving training. Part of this fund will go to subsidize child care spaces for participants of the program. We recognize that affordable and reliable child care is important for helping parents with young children, especially women who are single parents, get back into the workforce.

At the same time, existing workers will benefit from **jobsOntarioTraining** as some of the money is directed toward training workers already employed. This year we estimate this program will support almost 11,000 jobs. And, over its three-year span, the fund will provide 100,000 jobs and training for 80,000 Ontarians who are already working. **jobsOntarioTraining** is another prime example of

how this government is supporting jobs now while investing in the future. In this case, by investing in training, the government is ensuring the future flexibility and skill level of our workforce.

There are a number of other programs that have been created by the Ontario Government to help support jobs while investing in the future. **jobsOntarioHomes** and **jobsOntarioCapital** were both announced in the last Budget. The first program will support jobs while addressing an important need for affordable housing. The second program will support jobs while investing in infrastructure projects that focus on the future or expected needs of the economy (such as the need for telecommunications networks).



jobsOntario

While we are proud of the number of jobs we have supported, we recognize the provincial government, on its own, cannot turn the economy around. Our efforts can only serve to dampen the effects of this economic downturn. In

other words, we can only partially offset the decline in spending that has occurred as a result of this "business cycle" recession.

For this reason, the Government must focus its efforts on the structural reasons for the economic downturn. This means working on the foundations of our economy: what we produce, and the factors that determine how well and how fast we produce. In this area, the Ontario Government can have more influence.

In the days ahead the Government is concentrating its efforts on building a solid foundation for what is yet to come. In this way, as the recovery picks up steam, Ontario will be ready to take full advantage. This is what the Government's main focus is now.

— Hon. Michael Rona, Minister of Economic Development and Trade

ADDRESSING THE NEEDS OF THE FUTURE

Preparing for tomorrow means a number of things.

1) RESTRUCTURING GOVERNMENT

The economy has been rapidly changing, but the way government operates has not kept pace with the new economic and fiscal realities.

However, a slower economy, lower revenues, higher unemployment, restructuring in industry, and increased global competition, are making it difficult for governments to cling to the ways of the past.

If Ontarians are going to address the needs of the future, then restructuring the public sector must be a priority. Only by improving the way the public sector works will government have the ability to support jobs, maintain essential public services and control the deficit – all at the same time.

Restructuring in government is not without its challenges. The private sector restructures when demand for their products or services declines and therefore their income declines. Government is having to restructure at a time when revenues are down but demand for products and services (such as training and social assistance) is increasing. This double bind makes it much more difficult to restructure

the public sector. But it also emphasizes the importance of restructuring in a way that is sensitive to the needs of Ontarians.

Restructuring means taking a critical look at how government works and asking tough questions: Is this program/service in line with Ontario's priorities? Does the program/service meet its goals? Are there some aspects of this program/service that we don't need? Is there a better way to deliver this program/service?

The Government of Ontario has already started restructuring and it has meant some tough decisions in the last year as we worked to streamline programs. We expect to continue making these changes in the days to come. In other words, restructuring of the public sector has to be an on-going process — a continual process of changing and adapting to ensure government is efficient, effective and affordable.

2) MANAGING GOVERNMENT FINANCES

There are important reasons why we need to manage government finances. First, as I mentioned above, we need to manage our finances so that limited resources (i.e. revenues) can be directed to

Ontario's priorities and needs. Second, we need to control our spending so we don't get into the trap of spending more and more of each dollar on interest payments, which will leave us less to spend on important programs and services.

The Ontario Government has already put in a number of controls on spending:

- ▲ We've placed ceilings on our spending and have developed a Medium-Term Fiscal Plan.

- ▲ We created Treasury Board in the fall of 1991 to review and manage government spending.

As a result, in the 1992-93 Budget, we reduced the growth in spending by \$3 billion. Some of this money was saved through salary negotiations with public service unions and salary freezes for politicians and senior civil servants. Some money was saved by taking 10 per cent off the non-salary overhead budgets of ministries and limiting increases in payments to municipalities, schools, colleges and universities, and hospitals. And some spending growth was reduced by reforming major programs and services. In fact, spending growth is the lowest it has been in almost 40 years.

3) DEVELOPING AN ECONOMIC PLAN

Another job a government must do to prepare for tomorrow is to lay down a plan or a framework for "how" we hope to achieve our economic vision. It will not happen just because we want it to happen. Our government's framework was originally described in two papers: *Equitable Structural Change* (see 1991 Ontario Budget) and was elaborated and further developed in *Investing in Tomorrow's Jobs* (see 1992 Ontario Budget).

Since we first outlined our economic framework in 1991, we have been busy putting into place an action plan to support the framework. Much of the action plan is now in place and we are beginning to see results.

In its simplest form, our action plan can be broken down into two areas — policies that support a changing workplace and workforce, and policies that support effective investment.



STRENGTHENING WORKERS AND THE WORKPLACE

The workplace is one of the most basic components of our economy. It is where the actual work takes place — where the products are produced and where the services are delivered.

The amount of change happening in our workplaces has been staggering. For example, just in the last decade the introduction of personal computers has brought numerous changes in the way we work and has opened up new job possibilities (e.g. desktop publishing). Computers are now so common that workers have had to expand their set of basic skills to include computer usage. The introduction of the computer is just the tip of the iceberg in terms of the changes which workplaces and workers will face in the days to come.

It is important that the way Ontario adapts to these changes results in a better workplace. The Ontario Government believes it is important we use these restructuring opportunities to improve our workplaces.

One of the best ways to improve our workplaces is by investing in our workers — our province's greatest natural resource.

To promote positive workplace change, the Ontario Government believes we

must expand our traditional view of what we consider investment in workers.

TRAINING AND ADJUSTMENT

Training is certainly the most obvious way a government can help workers adjust to the changing needs of the economy. The Ontario Government has made it easier for people to get the training they need. We are encouraging lifelong learning by removing obstacles to going back to school. And we are encouraging more apprenticeship programs.

There are other ways the Ontario Government can invest in the province's workers and develop policies that will strengthen our workers and expand their involvement in the economy.

WORKPLACE INVOLVEMENT

Our government believes labour adjustment includes policies that encourage more participation by workers in the workplace. Several studies have shown that productivity (defined here as the amount produced per worker) is higher in firms where employees participate in decision-making. The Ontario Government also believes that promoting cooperation and encouraging business and labour to work

TRAINING AND ADJUSTMENT

▲ \$930 million to be spent in 1992-93

- 24% increase over previous year

- most ever committed to training and adjustment in Ontario

▲ **jobsOntarioTraining** - training and jobs for long-term unemployed along with 20,000 subsidized child care spaces to help participants get back into the workforce. Also includes training for workers currently employed.

▲ **ONTARIO TRAINING AND ADJUSTMENT BOARD (OTAB)** - will design and deliver publicly-funded training and adjustment programs throughout the province.

▲ **APPRENTICESHIP TRAINING** - recently this program was revitalized and expanded. Will improve the quality and number of apprenticeship programs along with accessibility to these programs.

▲ **TRANSITIONS** - provides a \$5,000 training voucher to help laid off older workers get training for re-employment.

▲ **ONTARIO EMPLOYEE WAGE PROTECTION PROGRAM** - protects workers' wages when a firm goes bankrupt.



PARTICIPATION AND COOPERATION

- ▲ OTAB - business, labour and communities will work together to ensure training meets local needs.
- ▲ ONTARIO LABOUR RELATIONS ACT - updating the Act to better reflect workplaces of the 1990s.
- ▲ SECTOR PARTNERSHIP FUND - designed to encourage firms, and managers and workers within those firms, to work together on solving problems common to the sector.

FAIRNESS AND OPPORTUNITIES

- ▲ PAY EQUITY - ensures people doing similar types of work are paid similar wages.
- ▲ EMPLOYMENT EQUITY - designed to increase employment opportunities for aboriginal people, persons with disabilities, racial minorities and women.
- ▲ MINIMUM WAGE INCREASE - minimum hourly wage increased to \$6.35 on November 1, 1992.

ADDITIONAL ROLES IN THE ECONOMY

- ▲ ONTARIO INVESTMENT AND WORKER OWNERSHIP PROGRAM (OIWOP) - provides tax credits to encourage workers to invest in the Ontario economy. Also provides tax credits to employees who want to purchase part or all of their employer's firm.

together on shared problems and solutions will improve our workplaces. In countries such as Japan, Germany, France and Sweden it is commonplace to find business and labour involved in joint efforts. The success of the workplaces in these countries is known throughout the world.

FAIRNESS AND OPPORTUNITIES

Labour adjustment policies also can be defined as programs that promote fairness and ensure opportunities for all Ontarians. With such a diverse population, it is important Ontario learn to use its human resource base to the fullest. It also is critical that people view Ontario's workplaces as being fair. That people are paid adequate wages, and that the wages between men and women are equitable. The Government is supporting programs that will help make our workplaces more fair.

ADDITIONAL ROLES OF WORKERS

Labour adjustment also includes programs that support workers as they take on additional roles in the economy — particularly roles as investors or co-owners in companies. Workers are saving their money in pension funds and, through these

funds, making important investments in Ontario businesses. In addition, some workers are pooling their money to buy a company that would otherwise close. In order to save jobs and to enable workers to take on additional roles in the economy, supportive government policies are necessary. The Ontario Government is providing that support.

In each of these areas — training, partnerships, fairness and opportunities, and supporting new roles — the Ontario Government is taking the lead and has put in place programs that will invest in our workers.



IMPROVING THE EFFECTIVENESS OF INVESTMENTS

Another area where the government has focused its efforts is in finding ways to support investment that will make a difference in our ability to compete in world markets.

Although the absolute level of productivity (the amount produced per worker or per machine) has been high, for the last 20 years, Ontario's productivity growth has been low. Part of the reason for this lacklustre performance is that Ontario has not invested enough in machinery and equipment and research and development.

Besides lack of investment, there is another important reason why our productivity growth was unimpressive. It had to do with the fact that often, after making major investments in new equipment and technology, firms didn't see the kind of pay-offs (in terms of productivity growth) they were expecting. This was baffling to managers. Wasn't technology guaranteed to make people work faster and better?

The problem lay not so much with the technology, but with the way Ontario remained committed to work processes that could not take full advantage of that technology. Adding to the problem was a lack of investment in training on how to use the technology.

Real payoffs from investments will happen once we start changing the way we work. Ontario needs to re-think old habits and put aside some old ways of doing business if we want to take full advantage of our investments.

Governments can help ensure investments, by the public and the private sector, produce the kinds of results Ontario needs to rebuild its economy. The Provincial Government can actively encourage changes to the way firms work with one another so that common problems can be tackled. The Government can create the conditions that will encourage innovation. And we can ensure firms have access to the kind of funding they need to grow and modernize and create jobs.

INFRASTRUCTURE

Certainly building a solid foundation — a strong public infrastructure — is one of the most important ways a government can ensure investment is effective. Our infrastructure — transit systems, roads, communication links, sewer and water systems, public buildings — forms the very backbone of our economy. A modern and well-maintained infrastructure is a vital ingredient in any economy's success.

Ontario's infrastructure is one of the best in the world, and has been key to our success. However, since the 1960s, governments in Ontario have been slowly reducing their level of support for the infrastructure. The fact that so much infrastructure investment took place prior to the 1960s has enabled the Province to pay less attention to this important area. But as the infrastructure ages, and as the economy begins to change, we must now begin to make significant investments again.

At the same time, it is important for Ontario to look ahead. We must anticipate the needs of the economy in the years to come and how our infrastructure investment will give us an edge. More future-oriented investments are generally referred to as "strategic." While the traditional forms of infrastructure are still important, we must broaden our understanding of infrastructure beyond the traditional "bricks and mortar" definition. For example, as the use for and capabilities of telecommunications increases, we must begin to assess the need for an infrastructure system that can support this technology. Ontario also

must begin to change the way we view infrastructure in overall government operations so that we can ensure this kind of investment receives the attention and support it deserves.

There are plenty of examples from the past of strategic investment. For example, in the 1950s, governments made a decision to invest in the building of highways. That decision revolutionized the transportation of goods, increased our ability to expand into new markets and helped to promote the growth of suburbs.



Beyond providing the backbone of the economy, a government can create the conditions that will promote investment in other important areas.

COOPERATION

The Ontario Government is encouraging firms to work together to solve problems that are common to their sector. Sectors generally have their own unique problems which are too costly for any one firm to solve on its own. However, finding a solution will serve to benefit the entire sector, and possibly related sectors. The North American tradition of corporate rivalry generally has prevented firms from discussing common problems, sharing technology and setting standards. In contrast,

the Japanese government made sector cooperation a focus in its economic strategy back in the 1960s. And part of that country's ability to have made such an impact on foreign markets back in

PUBLIC INFRASTRUCTURE

▲ **jobsOntarioCapital** - a 5-year fund of \$2.3 billion. Will focus on funding infrastructure projects that are concerned with addressing the changing needs of the Ontario economy.

▲ **jobsOntarioHomes** - a fund that will support the building of 20,000 non-profit housing units.

▲ **BASE CAPITAL SPENDING** - remains high despite other financial pressures due to the economic slowdown. Because of the weak recovery, Ontario can undertake infrastructure projects at a lower cost and with greater stimulation to the overall economy.

▲ **DEVELOPING INFRASTRUCTURE STRATEGIES** - the Government is working with various partners in business and labour to establish strategic linkages between infrastructure and emerging economic requirements. A recent example of this process is the report by the Telecommunications Advisory Committee called *Telecommunications: Enabling Ontario's Future*.

COOPERATION

▲ **SECTOR PARTNERSHIP FUND** - provides assistance to approved cooperative sectoral projects.

▲ **PREMIER'S COUNCIL** - is looking at ways to help groups of companies to pool investment, management expertise and modern technologies.

FINANCING INVESTMENT

▲ **OIWOP** - provides Ontario businesses with investment capital through labour sponsored investment funds.

▲ **ONTARIO INVESTMENT FUND** - will help to identify and evaluate new opportunities for sound investment and economic renewal.

▲ additional tax relief to small businesses manufacturing and resource industries announced in the 1992-93 Budget.

R&D AND INNOVATION

▲ **ONTARIO CENTRES FOR EXCELLENCE** - recently renewed by the Government, this program creates linkages between academic researchers and the private sector.

▲ **INDUSTRY RESEARCH PROGRAM** - stimulates cooperative ventures in research, development and technology applications in areas of strategic importance.

▲ **UNIVERSITY RESEARCH INCENTIVE FUND** - encourages universities and the private sector to enter into cooperative research ventures.

▲ increased tax-based incentives for high technology activities by broadening eligibility for the **R&D SUPERALLOWANCE**.

▲ increased incentives for Ontario firms to invest in manufacturing and processing machinery and equipment.

the 1960s and 1970s has been credited to these types of relationships.

FINANCING INVESTMENT

In order to invest in the future, Ontario's companies need access to adequate funding or investment capital. In addition, many firms of today have special funding needs — they need investment capital that is going to remain invested in the company for a few years.

Although Ontario has a high savings rate, these savings have not always been invested in areas where the need for investment capital is the greatest.

Some of the Government's programs make it more attractive for Ontario investors to provide much needed long-term investment capital to Ontario businesses.

Small and medium-sized businesses — particularly those in the more knowledge-based, leading edge sectors — have the most difficulty finding financing. Much of the reason for this financing shortfall is these companies are non-traditional. It is difficult for investors to judge the investment risk, and many of the firms' assets are not obvious. For these kinds of companies their assets are not things you can see — instead their assets are in the knowledge, ideas and creativity of

their employees and owners. These kinds of knowledge-based, innovative firms will be increasingly important to our economy in the days to come, and the Government of Ontario is trying to ensure these firms have access to the funding they need to grow and create jobs.

INVESTMENT IN R&D AND MACHINERY AND EQUIPMENT

Some of the policies designed by the Ontario Government are helping to encourage Ontario companies to engage in more Research and Development. R&D adds to the stock of knowledge in the economy. And applying the knowledge gained through R&D improves workplace productivity and creates better products and services.

The Government also has made it easier for firms to invest in machinery and equipment. Improving investment in these areas is a pre-requisite for Ontario to be a major player in the global marketplace.

Attracting investment and ensuring investment is effective — that it yields the desired results — requires Ontario to take a different approach than in the past. First, the Government must play an active role in facilitating the conditions that will encourage investment. Second, Ontario's businesses and

workers must be willing to adopt new ways of working together. Third, we all must recognize there are several areas which will need to be addressed in order to make investment effective. In each of those areas — infrastructure investment, R&D, capital investment, innovative long-term financing, and partnerships — the Ontario Government has made substantial progress.



CONCLUSION

Despite the difficult times Ontarians have come through, and the challenges that lie ahead, this province has a wealth of assets. We have one of the highest standards of living in the world. We have a highly-skilled workforce and abundant natural resources. Our culture is diverse. Our infrastructure is modern.

What the recent prolonged economic downturn has done is provided a warning to Ontario. The recession has pointed out the areas where Ontario's preparation was lacking. It has indicated where old ways of conducting business are no longer as effective.

Perhaps more than anything else, the recession has shown Ontario that we need to re-think and reform the way we work. As the gaps in our economy continue to appear,

we see the need for new types of firms and institutions, new workplaces, new processes, new work relationships, and so on.

While change is often something we would like to resist, it is inevitable. So the question for us in Ontario becomes — do we change for the better or do we change for the worse? The Ontario Government wants to ensure we change for the better and that the process of change benefit everyone equally.

Our approach to rebuilding the economy involves proactive Government policy, fostering more cooperation and partnerships, investing in workers through a variety of means, supporting a strong public infrastructure and finding ways to make investments in this province more effective.

In each of the areas where a provincial Government can make a difference, the Ontario Government has developed solutions. Although it will take time to rebuild our province's econo-

my — to experience the full benefits of these policies — I am confident the Government's willingness to be an active partner in change will ensure that any changes that happen in Ontario are for the better.

At the same time, we have made it a priority to help those most affected by the recession. Our numerous job support programs (which also have long term economic benefits) are testimony to our commitment to people during these difficult times.

While there are many challenges still ahead, I have faith in the people of Ontario. In fact, I believe the best is yet to come. If we commit to change for the better; if we decide to roll up our sleeves and concentrate on making things happen; if we work together and if we work smarter, I believe Ontario can realize its vision of the future. I hope you will join with me in our efforts to make Ontario's vision a reality.



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